

Remarks of Philip F. Abraham
On behalf of PJM Interconnection, L.L.C.
to
Virginia Commission on Electric Utility Restructuring
June 29, 2004

Mr. Chairman and Members of the Commission, in response to the request of Chairman Norment, I appreciate this opportunity to lead off a presentation on the status of the efforts of AEP and Dominion to transfer functional control of their high-voltage transmission facilities to my client, PJM Interconnection.

My presentation will provide an overview of the procedural status of the two applications as well as the order that was recently issued by the Federal Energy Regulatory Commission concerning AEP's efforts to join PJM. Jim Hinton, Senior Advisor to the President of PJM, will then provide an overview of the benefits PJM offers to the customers of AEP and Dominion. AEP and then Dominion will follow with more detailed presentations on the status of their applications and their respective proceedings at FERC.

Mr. Chairman and members of the Commission, we are continuing a journey that began nearly five years ago on July 1, 1999 with the adoption of the Virginia Electric Restructuring Act. As you and the other members of the EURC will recall, by requiring that Virginia's electric utilities join an RTO by January 1, 2001, the original Act recognized the importance of RTO membership to the development and implementation of a

vibrant and competitive wholesale market in Virginia for electricity purchases as well as to the enhanced reliability of Virginia's electricity transmission grid. The Virginia General Assembly reaffirmed this position when it amended the Act in 2003 to require RTO membership no later than January 1, 2005 and when it resisted calls to further delay RTO membership at the 2004 Session.

Both AEP and Dominion have complied with Virginia law and submitted applications to the Virginia State Corporation Commission to transfer control of their high-voltage transmission facilities to PJM. AEP filed its application to join PJM with the SCC eighteen months ago on December 19, 2002. Dominion filed its application to join PJM with the SCC twelve months ago on June 27, 2003.

One year after the AEP application was filed and six months after the Dominion application was filed, the SCC issued procedural orders establishing hearing dates in those cases. Those procedural schedules establish that a hearing before the SCC on the AEP application is to be held next month beginning July 27, 2004. A hearing on the Dominion application is set to begin on October 12th of this year, only three months prior to the deadline established under Virginia law for AEP and Dominion to join an RTO.

The AEP hearing which begins next month could have significance, not only for AEP's Virginia customers, but also for consumers and regulatory commissions in six other states.

These states are Indiana, Kentucky, Michigan, Ohio, Tennessee and West Virginia. Kentucky was the most recent of these states to approve and establish reasonable conditions for the transfer of functional control of AEP's transmission facilities to PJM. On May 19, 2004 Kentucky approved a unanimous settlement that was also accepted by FERC earlier this month. The delays moving the case forward at the SCC, however, presented a conflict between the states that could only be addressed at the federal level.

FERC has shared the Virginia General Assembly's support for RTO membership and approved AEP's choice to join PJM in July 2002. At the request of the regulatory commissions in a number of the other AEP states that have approved membership in PJM, and given the reluctance of the SCC at that time to schedule the AEP application for a hearing, FERC initiated a proceeding on November 25, 2003 to consider whether it should preempt the SCC and order AEP to transfer its relevant Virginia transmission facilities to PJM by October 1, 2004. After discovery and a hearing conducted earlier this year, FERC ruled about two weeks ago that AEP should integrate its Virginia facilities into PJM by the October 1, 2004 deadline. I have distributed to you an excerpt of FERC's 50 page order to illustrate why the upcoming AEP hearing is so important.

As you can see from that document, FERC sought to resolve the dispute that exists between the SCC and the public utility commissions from AEP's other states that have approved PJM membership. It is also very important for you to consider

paragraphs 4 and 74 from that order in which FERC leaves the door open for the SCC to complete its AEP proceeding in a timely fashion and avoid preemption by FERC. These provisions in the FERC order explicitly recognize a willingness to allow the SCC to reach agreement as to reasonable conditions relating to the integration that do not prevent or prohibit integration. FERC has required agreement on any such provisions in time to allow for the October 1, 2004 integration deadline they have established.

Mr. Chairman and members of the Commission, PJM remains committed to working with all parties to allow Virginia to enjoy the benefits of membership in PJM. After answering any questions you or the other members of the Commission may have, I will next turn the presentation over to Jim Hinton who will provide an overview of the benefits PJM offers to AEP and Dominion's customers. Thank you.